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FCC Mailroom

April 3, 2017

Marlene Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>TH</sup> Street, SW  
Washington, DC 20554

DOCKET FILE COPY ORIGINAL

**Re: WC Docket 11-42  
Lifeline Biennial Audit of Puerto Rico Telephone Company, Inc.  
Independent Accountants' Report on Applying Agreed-Upon Procedures  
Year Ended December 31, 2015**

Dear Ms. Dortch:

Pursuant to Section 54.420(a)(4) of the Commission's Rule and as required by the Biennial Audit Plan of the Universal Service Fund for the Lifeline Program, Puerto Rico Telephone Company, Inc., d/b/a Claro ("CLARO") submit herewith its final Attestation Report for the year ended December 31, 2015.

Please contact us if you have any questions.

Sincerely,

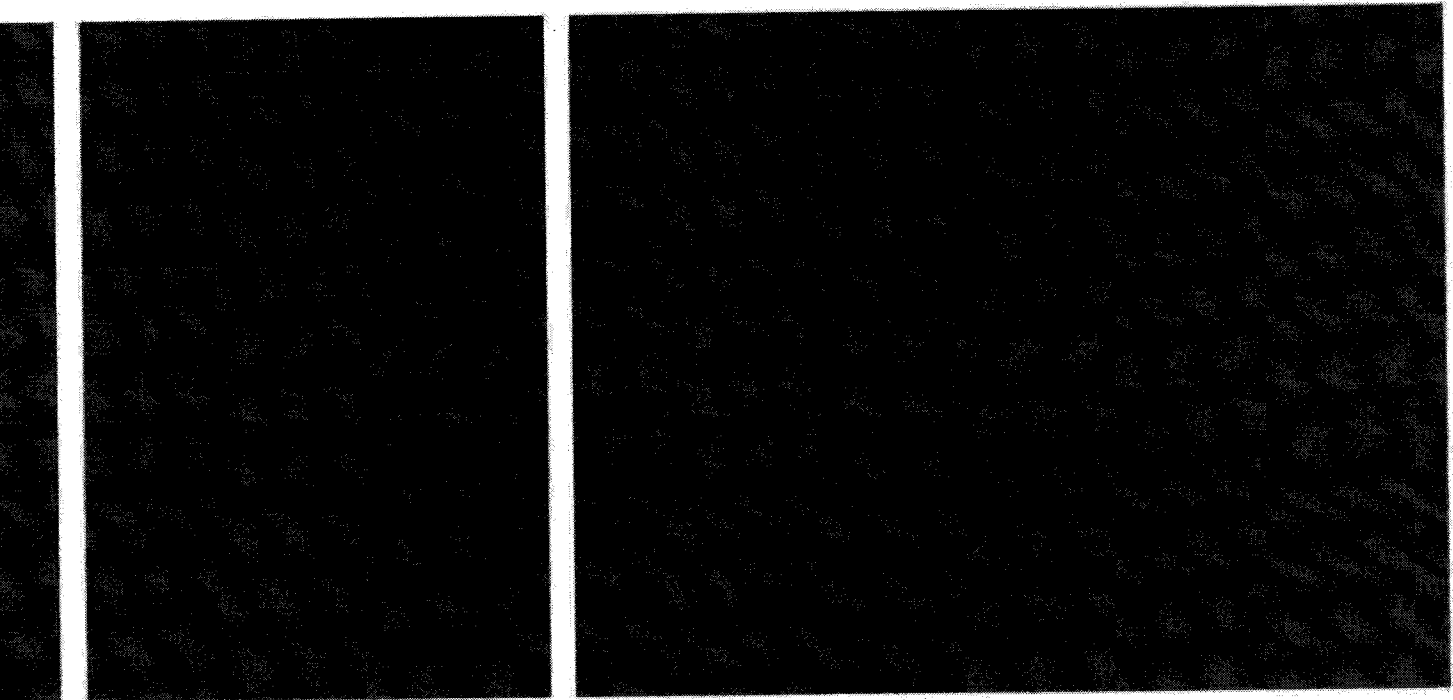
A handwritten signature in blue ink, appearing to read "Carlos D. Ruiz Mantilla".

Carlos D. Ruiz Mantilla  
Regulatory Compliance Manager

Attachment

c: Mr. Charles Tyler, Telecommunications Access Policy Division  
Ms. Anita Patankar-Stoll, Office of the Managing Director  
Ms. Sandra Torres-López, Telecommunications Regulatory Board of Puerto Rico

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## Puerto Rico Telephone Company, Inc.

Agreed-Upon Procedures Report in Accordance with Attestation  
Standards Established by the Generally Accepted Government  
Auditing Standards Issued by the Government Accountability Office

December 31, 2015

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**RSM**

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**INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

To: The Managements of Puerto Rico Telephone Company, Inc. (PRTC, Claro Puerto Rico or Carrier), the Universal Service Administrative Company (USAC), and the Federal Communications Commission (FCC or Commission):

We have performed the procedures enumerated in Attachment A, which were agreed to by the FCC's Wireline Competition Bureau (Bureau) and Office of Managing Director (OMD) in the Lifeline Biennial Audit Plan, or as otherwise directed by the Bureau, solely to assist you in evaluating Claro Puerto Rico's compliance with certain regulations and orders governing the Low Income Support Mechanism (also known as the Lifeline Program) of the Universal Service Fund, set forth in 47 C.F.R. Part 54, as well as other program requirements, including any state-mandated Lifeline requirements (collectively, the Rules) detailed in the Lifeline Biennial Audit Plan for the calendar year ended December 31, 2015. Claro Puerto Rico's management is responsible for compliance with the Rules. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the Generally Accepted Government Auditing Standards (GAGAS) issued by the Government Accountability Office. The sufficiency of these procedures is solely the responsibility of the Bureau and OMD. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment A, either for the purpose for which this report has been requested or for any other purpose.

Specific procedures and related results are enumerated in Attachment A to this report. In compliance with the Lifeline Biennial Audit Plan, this report does not contain any personally identifiable information or individually identifiable customer proprietary network information.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on Claro Puerto Rico's compliance with the Rules. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use for the managements of Claro Puerto Rico, USAC, and the FCC, and is not intended to be and should not be used by anyone other than these specified parties. This report becomes a matter of the public record upon filing of the final report with the FCC. The final report is not confidential.

San Juan, Puerto Rico  
March 27, 2017.



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AUDIT | TAX | CONSULTING

RSM Puerto Rico is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

## PUERTO RICO TELEPHONE COMPANY

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Attachment A enumerates the agreed-upon procedures for Claro Puerto Rico, the associated results, and any management responses obtained in relation to the exceptions identified.

### **Objective 1: Carrier Obligation to Offer Lifeline**

#### **Procedure 1**

RSM Puerto Rico (RSM) inquired of management and obtained the carrier's policies and procedures in response to Item 4 of Appendix A of the Lifeline Biennial Audit Plan for offering Lifeline service to qualifying low-income consumers.

RSM examined the carrier's policies and procedures and compared those policies and procedures, as well as management's responses to the inquiries, to the Commission's Lifeline rules set forth in Appendix F of the Lifeline Biennial Audit Plan.

RSM noted no discrepancies between the carrier's policies and procedures, management's responses to the inquiries, and the Commission's Lifeline rules.

#### **Finding**

No exceptions noted.

#### **Procedure 2**

RSM inspected 10 examples of carrier marketing materials describing the Lifeline service (i.e., print, audio, video and web materials used to describe or enroll in the Lifeline service offering, including standard scripts used when enrolling new subscribers, application and certification forms), as provided in response to Items 4, 6 and 7 of Appendix A of the Lifeline Biennial Audit Plan.

#### **Finding**

RSM noted the inspected marketing materials contained the required information, with the exception of the following:

- One (1) marketing material omitted the disclosure related that the service is non-transferable, as required by 47 C.F.R. section 54.405 (c)(d).

There is no monetary effect associated with this finding.

#### **Beneficiary Response**

All promotional material used in the written press includes the required language requested by USAC. Currently, disclosures requires approval before submitting it for printing. Only one (1) brochure promotion did not include the disclosure that the service is non-transferable.

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### **Procedure 3**

RSM reviewed the carrier's responses to the background questionnaire regarding the carrier's policies for (1) how subscribers notify the carrier of the subscriber's intent to cancel service or give notification that she/he is no longer eligible to receive Lifeline service and (2) when de-enrollment for such notifications occurs. RSM verified that these policies are designed to (1) allow subscribers to make the notifications required by 47 C.F.R. §§ 54.410(d)(3)(ii) and (iv) and (2) prevent the carrier from claiming ineligible subscribers on the FCC Form 497 or subscribers who wish to cancel service.

RSM called the customer care numbers provided in response to Item 8 of Appendix A, as well as any customer care numbers identified in the marketing materials provided in response to Item 6 of Appendix A, or on the websites provided in response to Item 7 of Appendix A.

RSM noted that the number identified in the marketing material and the telephone number was operational. Also, noted that it involves an interactive voice response (IVR) system that automatically forwards the call to a live customer care operator.

### **Finding**

No exceptions noted.

### **Procedure 4**

RSM inspected applicable policies and procedures regarding de-enrollment from the program, including when the Claro Puerto Rico will de-enroll subscribers based on lack of eligibility, duplicative support, non-usage, and failure to recertify under 47 C.F.R. §54.409, as provided in response to Item 4 of Appendix A.

RSM examined and compared the carrier's policies and procedures, as well as management's responses to inquiries, to the Commission's Lifeline rules set forth in the Appendix F of the Lifeline Biennial Audit Plan.

RSM noted no discrepancies between the carrier's policies and procedures, management's responses to the inquiries, and the Commission's Lifeline rules.

### **Finding**

No exceptions noted.

## **Objective 2: Consumer Qualification for Lifeline**

### **Procedure 1**

RSM inquired of management and obtained the carrier's policies and procedures in response to Item 4 of Appendix A of the Lifeline Biennial Audit Plan for limiting Lifeline support to a single subscription per household, as provided by the carrier in response to Item 4 of Appendix A of the Lifeline Biennial Audit Plan.

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RSM examined the carrier's policies and procedures, and compared those policies and procedures, as well as management's responses to the inquiries, to the Commission's Lifeline rules set forth in Appendix F of the Lifeline Biennial Audit Plan.

RSM noted no discrepancies between the carrier's policies and procedures, management's responses to the inquiries, and the Commission's Lifeline rules.

### **Finding**

No exceptions noted.

### **Procedure 2**

RSM reviewed the procedures the carrier has in place to ensure it has accurately completed FCC Form 497.

RSM noted no discrepancies between the carrier's policies and procedures, management's responses to the inquiries, and the Commission's Lifeline rules.

### **Finding**

No exceptions noted.

### **Procedure 3**

RSM obtained the subscriber list in response to Item 1 of Appendix A of the Lifeline Biennial Audit Plan and obtained the carrier's FCC Forms 497 for each study area for the selected month.

RSM examined the number of subscribers claimed on Forms 497 and compared the numbers of subscribers reported on the Forms 497 to the number of subscribers contained on the subscriber list for each study area.

RSM noted no discrepancies between the FCC Form 497 and the subscriber list for each study area.

### **Finding**

No exceptions noted.

### **Procedure 4**

RSM used computer-assisted audit techniques to examine the Subscriber List and searched for duplicate addresses with different subscribers.

RSM created a list reflecting these results.

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### **Finding**

Not applicable.  
Procedure 5

RSM randomly selected 30 subscribers from the list completed in procedure 4 and requested copies from Claro Puerto Rico of the one-per-household certification form for each of the selected subscribers.

RSM verified that the selected subscribers certified to only receiving one Lifeline-supported service in his/her household using the one-per household worksheet.

### **Finding**

No exceptions noted.

### **Objective 3: Subscriber Eligibility Determination and Certification**

#### **Procedure 1**

RSM inquired the management and obtained carrier policies and procedures for ensuring that its Lifeline subscribers are eligible to receive Lifeline services as provided by the carrier in response to item 4 of Appendix A of the Lifeline Biennial Audit Plan.

- RSM inspected the Claro Puerto Rico's policies and ascertained it includes a policy that the ETC does not retain copies of subscribers' proof of income-or program based eligibility.
- RSM inspected the Claro Puerto Rico's policies and ascertained it includes a policy or procedure that Claro Puerto Rico must fully verify the eligibility of each low-income consumer prior to providing Lifeline service to that consumer, and that Claro Puerto Rico, or its agents, may not provide the consumer with an activated device intended to enable access to Lifeline service until that consumer's eligibility is fully verified and all other necessary enrollment steps have been completed.

RSM examined the policies and procedure and compared management responses and carrier policies and procedures with the Commission's Lifeline rules set forth in sections 54.410 of Appendix F of the Lifeline Biennial Audit Plan for offering Lifeline service to qualifying low-income consumers.

### **Finding**

RSM noted that Claro Puerto Rico's policies and procedures did not contain an element establishing that telecommunication carrier must not retain copies of the documentation of a prospective subscriber's income-based eligibility for Lifeline, as required by 47 C.F.R. § 54.410.

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### **Beneficiary Response**

Pursuant to the Lifeline Rules of the Telecommunications Regulatory Board of Puerto Rico ("Enmiendas Provisionales al Reglamento sobre Servicio Universal, Reglamento 8093"), Section 14.7, initially and annually thereafter, the subscriber should present evidence showing that he or she qualifies to receive Lifeline by means of the income criteria or by his or her participation on any of the qualified assistance programs. Moreover, ETCs shall keep the records that proof compliance with the Lifeline requirements for a period of six (6) years and shall submit that evidence to the Board or the Administrator, when requested. Specifically the local rules establish the following:

"Initially and annually, the subscriber should present evidence that demonstrates eligibility for the benefits of the Lifeline program, either through income or through the assistance programs identified in Section 14.1B. "[8093, Section 14.7 (e)].

"An ETC's will maintain records to document compliance with all Lifeline program requirements, including those reimbursements requested from the Fund, for a period of six (6) years, and if required, shall submit them to the Board or Administrator." "[Regulation 8093, Section 14.7 (g)]." Moreover, current rules requires an ETC to maintain documentation for income and consumers' qualifications, therefore implemented procedures should not be modified."

### **Procedure 2**

RSM examined Claro Puerto Rico's policies and procedures for training employees and agents to ensure that Claro Puerto Rico's Lifeline subscribers are eligible to receive Lifeline services, including any policies regarding how Claro Puerto Rico ensures employees and agents have completed the training.

### **Finding**

No exceptions noted.

### **Procedure 3**

RSM randomly selected 100 subscribers from the Subscriber List and for the first 50 of the sampled subscribers, RSM performed the test described below for each of the subscriber's certification and recertification forms. After performing the tests described below for the first 50 sampled subscribers, the error rate was higher than 5 percent; therefore, RSM applied the same procedure to the remaining 50 subscribers in the sample and recorded the results.

- RSM examined the subscriber certification and recertification forms to verify the forms contain the following information:
  - i. Lifeline is a federal benefit and that willfully making false statements to obtain the benefit can result in fines, imprisonment, de-enrollment or being barred from the program;
  - ii. Only one Lifeline service is available per household;
  - iii. A household is defined, for purposes of the Lifeline program, as any individual or group of individuals who live together at the same address and share income and expenses;
  - iv. A household is not permitted to receive Lifeline benefits from multiple providers;



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- v. Violation of the one-per-household limitation constitutes a violation of the Commission's rules and will result in the subscriber's de-enrollment from the program;
- vi. Lifeline is a non-transferable benefit and the subscriber may not transfer his or her benefit to any other person;
- vii. Require each prospective subscriber to provide the following information:
  - 1. The subscriber first name
  - 2. The subscriber's full residential address
  - 3. Whether the subscriber's residential address is permanent or temporary
  - 4. The subscriber's billing address, if different from the subscriber's residential address
  - 5. The subscriber's date of birth
  - 6. The last four digits of the subscriber's social security number, or the subscriber's Tribal identification number, if the subscriber is a member of a Tribal nation and does not have a social security number
  - 7. If the subscriber is seeking to qualify for Lifeline under the program based criteria, as set forth in § 54.409, the name of the qualifying assistance program from which the subscriber, his or her dependents, or his or her household receives benefits
  - 8. If the subscriber is seeking to qualify for Lifeline under the income based criterion, as set forth in § 54.409, the number of individuals in his or her household require each prospective subscriber to certify, under penalty of perjury
- viii. Require each prospective subscriber to certify, under penalty of perjury, that
  - 1. The subscriber meets the income-based or program-based eligibility criteria for receiving Lifeline, provided in § 54.409
  - 2. The subscriber will notify Claro Puerto Rico within 30 days if for any reason he/she no longer satisfies the criteria for receiving Lifeline including, as relevant, if the subscriber no longer meets the income-based or program based criteria for receiving Lifeline service, the subscriber is receiving more than one Lifeline benefit, or another member of the subscriber's household is receiving a Lifeline benefit
  - 3. If the subscriber is seeking to qualify for Lifeline as an eligible resident of Tribal lands, he/she lives on Tribal lands, as defined in 54.400(e)
  - 4. If the subscriber moves to a new address, he/she will provide that new address to Claro Puerto Rico within 30 days
  - 5. The subscriber's household will receive only one Lifeline service and, to the best of his or her knowledge, the subscriber's household is not already receiving a Lifeline service

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6. The information contained in the subscriber's certification form is true and correct to the best of his or her knowledge
7. The subscriber acknowledges that providing false or fraudulent information to receive Lifeline benefits is punishable by law
8. The subscriber acknowledges that the subscriber may be required to recertify his or her continued eligibility for Lifeline at any time, and the subscriber's failure to re-certify as to his or her continued eligibility will result in de-enrollment and the termination of the subscriber's Lifeline benefits pursuant to § 54.405(e)(4)
- ix. RSM compared the Claro Puerto Rico's subscriber eligibility criteria on the certification and recertification forms to the federal eligibility criteria listed in per 47 C.F.R. §54.409. Note any discrepancies.  
Note: Claro Puerto Rico may list the eligibility criteria in its entirety or may allow the subscriber to note only his/her qualifying criterion on the form
- x. RSM verified the subscriber completed all the required elements as identified in Objective III – 3 a. above, including signature and initialing/checkbox requirements contained in the certification and recertification forms
- xi. RSM examined the subscriber's initial certification form to verify the initial certification form is dated prior to or on the same day as the Lifeline start date per the Subscriber List. This procedure would not apply to subscribers enrolled prior to June 2012.
- xii. RSM noted that Tribal Lifeline support is not applicable to Puerto Rico.
- xiii. RSM reviewed the list of the data source or documentation that Claro Puerto Rico reviewed to confirm the subscriber's eligibility.
- xiv. RSM verified the recorded data sources are eligible data sources per 47 C.F.R. § 54.410, such as: (1) income or program eligibility databases, (2) income or program eligibility documentation, or (3) confirmation from a state administrator.

### **Finding**

RSM noted the examined subscriber certification and recertification forms contained the required information, with the exception of the following:

- Claro Puerto Rico retains copies of subscribers' proof of income or program-based eligibility.

### **Beneficiary Response**

Pursuant to the Lifeline Rules of the Telecommunications Regulatory Board of Puerto Rico ("Enmiendas Provisionales al Reglamento sobre Servicio Universal, Reglamento 8093"), Section 14.7, initially and annually thereafter, the subscriber should present evidence showing that he or she qualifies to receive Lifeline by means of the income criteria or by his or her participation on any of the qualified assistance programs. Moreover, ETCs shall keep the records that proof compliance with the Lifeline requirements for a period of six (6) years and shall submit that evidence to the Board or the Administrator, when requested. Specifically the local rules establish the following:

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"Initially and annually, the subscriber should present evidence that demonstrates eligibility for the benefits of the Lifeline program, either through income or through the assistance programs identified in Section 14.1B." [8093, Section 14.7 (e)].

"An ETC's will maintain records to document compliance with all Lifeline program requirements, including those reimbursements requested from the Fund, for a period of six (6) years, and if required, shall submit them to the Board or Administrator." "[Regulation 8093, Section 14.7 (g)]." Moreover, current rules requires an ETC to maintain documentation for income and consumers' qualifications, therefore implemented procedures should not be modified."

### Objective 4: Annual Certifications and Recordkeeping by Eligible Telecommunications Carriers

#### Procedure 1

RSM inquired to management and obtained carrier policies and procedures for ensuring that the carrier has made and submitted the annual certifications required under sections 54.416 and 54.422 of the Commission's rules.

#### Finding

No exceptions noted.

#### Procedure 2

RSM examined Claro's Puerto Rico's FCC Form 555 that was filed on January 29, 2016. RSM verified that an officer of Claro Puerto Rico certified that he/she understands the Commission's Lifeline rules and requirements and that the carrier. We also verified that the carrier made all of the following certifications:

- Has policies and procedures in place to ensure that its Lifeline subscribers are eligible to receive Lifeline services;
- Is in compliance with all federal Lifeline certification procedures; and
- In instances where an Claro Puerto Rico confirms consumer eligibility by relying on income or eligibility databases, as defined in 47 C.F.R. §54.410(b)(1)(i)(A) or (c)(1)(i)(A), the representative must attest annually as to what specific data sources the Claro Puerto Rico used to confirm eligibility.

#### Finding

No exceptions noted.

#### Procedure 3

RSM examined Claro Puerto Rico's organizational chart provided in response to Item 5 of Appendix A and verified that the certifying officer on the FCC Form 555 is an officer per the organizational chart or other publicly available documents.

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### **Finding**

No exceptions noted.

### **Procedure 4**

RSM verified if the subscriber count per the FCC Form 555 agrees with the total subscriber count per the February Form 497.

### **Finding**

No exceptions noted.

### **Procedure 5**

For the month of August 2015, RSM selected the only territory where Claro Puerto Rico received an amount of Lifeline support and is responsible for the annual recertification process. RSM reviewed Claro Puerto Rico's recertification results of the individual subscribers reported on the FCC Form 555 filed on January 29, 2016. RSM verified that the data reported on the FCC Form 555 for that territory agreed with the detailed recertification results.

### **Finding**

RSM noted discrepancies between the subscriber count reported on Form 555 and the counts reflected on the recertification results provided by Claro Puerto Rico.

### **Beneficiary Response**

There was a discrepancy in one subscriber. PRTC implemented adequate policies and procedures to verify that the correct number of subscribers are reported on the Form 555 and maintain documentation to demonstrate compliance with the Rules. We will reinforced these procedures.

### **Procedure 6**

RSM examined the Form 555 for the only territory where Claro Puerto Rico received Lifeline support. RSM noted that non-usage rules applies for one study area code; however, there were no subscribers de-enrolled for non-usage for the year under audit.

### **Finding**

No exceptions noted.

### **Procedure 7**

RSM reviewed Claro Puerto Rico's annual Claro Puerto Rico certification. Verified that Claro Puerto Rico reported all the information and made all the certifications required by 47 C.F.R. §54.422(a) (b).

RSM reviewed FCC Form 481 for each study area code and Claro Puerto Rico reported all the information and made all the certifications required by 47 C.F.R. §54.422(a)(b).

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### **Finding**

No exceptions noted.

### **Procedure 8**

RSM reviewed supporting schedules related to Claro Puerto Rico's annual Claro Puerto Rico certification and verified that the data reported on the annual Claro Puerto Rico certification agrees with the supporting schedules.

### **Finding**

No exceptions noted.

### **Procedure 9**

RSM inquired of management and obtained carrier policies and procedures for maintaining records that document compliance with the Lifeline program rules. Examined the policies and procedures. Compared the management responses and carrier policies with recordkeeping rules set forth in 47 C.F.R. § 54.417.

RSM noted that Claro Puerto Rico's policy of 6 years for recordkeeping follows the Commission's rule of 3 years. As per representation of management, the records are maintained for a period 6 years due to the rules of the States regulator.

### **Finding**

No exceptions noted.